

Rural Poverty Rate Stayed Under 15 Percent in 1999

Dean Jolliffe

Approximately 7.4 million persons who live in rural (nonmetro) areas were poor in 1999. The rate of rural poverty for 1999 was 14.2 percent, essentially unchanged from 1998 when 14.3 percent of rural persons were poor. Rural poverty rates were not under 15 percent for two consecutive years at any other time in the 1980s or 1990s. The rural poverty rate for 1999 was the lowest since 1979, and similarly the national and urban poverty rates in 1999 were also at their lowest levels since 1979 (fig. 1). These relatively low levels of poverty coincided with the continuation of the economic boom in the United States.

Compared with the small decline in the rural poverty rate, the urban poverty rate declined at a greater pace—from 12.3 percent in 1998 to 11.2 percent in 1999. This widened the gap in rural-urban poverty rates to 3 percentage points from a gap of 2 percentage points in 1998. Throughout the 1980s, the difference in poverty rates between urban and rural areas averaged about 4.4 percentage points, but this average narrowed to 2.6 per-

centage points in the 1990s. However, the widening of the rural-urban gap in the late 1990s seems to halt any trend toward eliminating the rural-urban poverty gap in the near future.

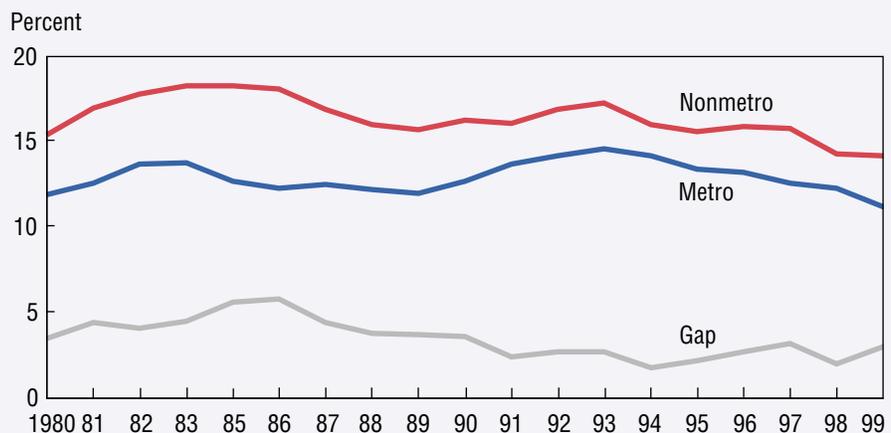
Composition of the Urban and Rural Poor

The incidence or rate of poverty measures the percentage of the population who are poor, but this is just one of many ways to measure poverty. There are also poverty indices that provide information on the severity of poverty as well as the incidence. To examine rural-urban differences in the severity of poverty, poor persons can be categorized as those in extreme poverty with an income of less than half the poverty line, those whose

income is between half and three-quarters of the poverty line, and those with an income greater than 75 percent of the line. While the incidence of poverty is higher in rural areas than in urban areas, the proportion of the poor living in extreme poverty is lower in rural areas. Of the urban poor in 1999, 40.5 percent were extremely poor versus 35.3 percent of the rural poor. Similarly, 38 percent of the rural poor have incomes between 75 and 100 percent of the poverty line, while the rate for the urban poor is only 32.1 percent.

The distribution of urban poor persons remained essentially unchanged between 1996 and 1999. This contrasts with the improving income distribution of the rural poor between 1996 and

Figure 1
Poverty rates by residence, 1980-99
Nonmetro poverty remained under 15 percent in 1999



Dean Jolliffe is an economist in the Food Assistance and Rural Economy Branch, Food and Rural Economics Division, ERS.

Note: Metro status of some counties changed in 1984 and 1994; 1984 has been omitted.
Source: Prepared by the Economic Research Service using data from the U.S. Census Bureau's Current Population Survey, March Supplement.

How Is Poverty Defined?

Any individual with total income less than an amount deemed to be sufficient to purchase basic needs of food, shelter, clothing, and other essential goods and services is classified as poor. The amount of income necessary to purchase these basic needs is the poverty line or threshold and is set by the Office of Management and Budget (OMB). The 1999 poverty line for an individual under 65 years of age was \$8,667, while the poverty line for a two-person household with one child and one adult was \$11,483, and for a household with two adults and three children the poverty line was \$19,882. An individual's or household's total income includes cash income (pretax income and cash welfare assistance), but excludes in-kind welfare assistance, such as food stamps and Medicare. The poverty line changes over time to correct for inflation, and it is also adjusted to reflect differences in household composition and size. Adjustments for household composition are intended to address the concern that children and adults consume different types and quantities of basic goods and services. Adjustments for household size are intended to address the concern that some basic goods can be shared within a household and therefore the per-person cost of purchasing basic needs declines with each additional person.

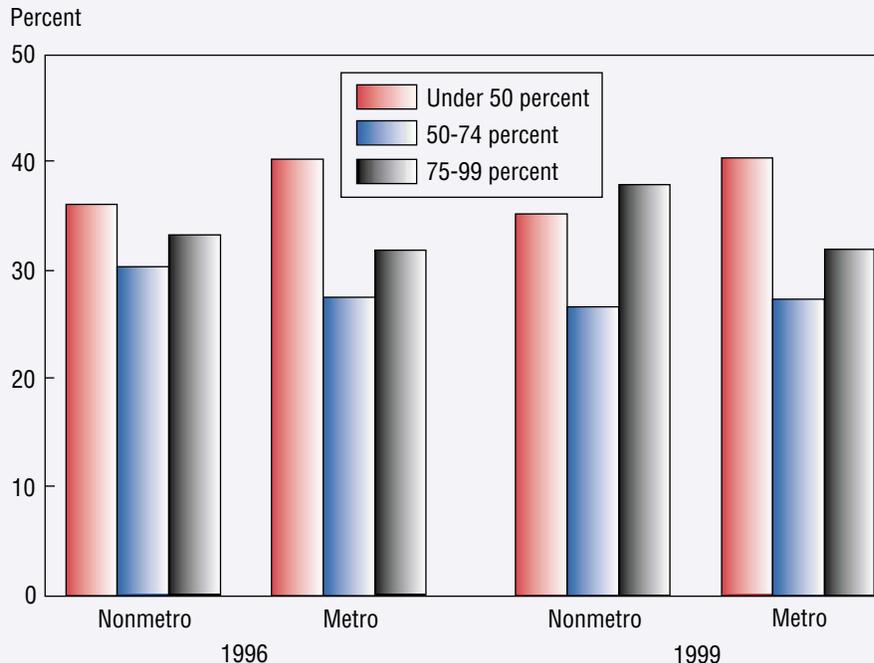
1999. In 1996, 33.4 percent of the rural poor had incomes that were between 75 and 100 percent of the poverty line. This proportion increased 4.6 percentage points by 1999. Figure 2 shows that a measure of poverty that is sensitive to the distribution of income of poor persons will present a different picture of the urban-rural poverty gap than when simply looking at the incidence of poverty.

Rural and Urban Poverty by Geographic Region

Over 1996-99, the relative poverty ranking of U.S. regions remained unchanged, with the South having the highest rate of rural poverty and the Northeast the lowest (fig. 3). The difference between urban and rural poverty rates also remained quite similar across the regions. In both 1996 and 1999, the largest rural-urban gaps in the poverty rates were in the South. In 1996, the rural-urban difference in the South was 4.7 percentage points. This had increased slightly by 1999 to 5.1 percentage points.

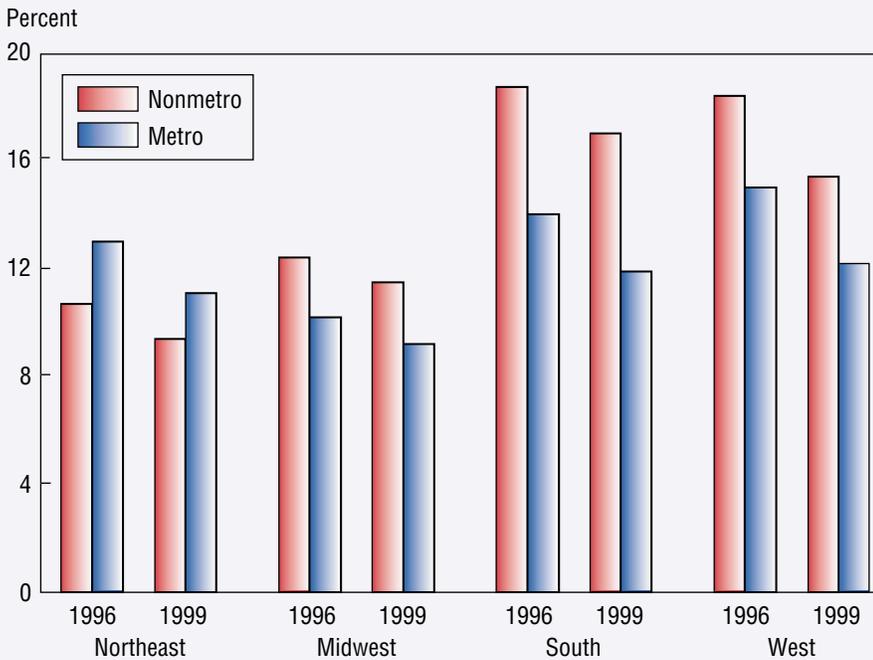
The most striking change in regional poverty rates is the improvement in rural and urban poverty rates in the West. The largest decline in the regional poverty rates between 1996 and 1999 (3 percentage points) was in the rural West. In 1996, the rural poverty rate in the West was 18.4 percent, which placed it essentially on par with the South and significantly worse than the Northeast and the Midwest. It then dropped to 15.4 percent in 1999.

Figure 2
Income-to-needs ratio, distribution of the poor by residence, 1996 and 1999
Income distribution of the nonmetro poor has improved since 1996



Source: Prepared by the Economic Research Service using data from the U.S. Census Bureau's Current Population Survey, March Supplement.

Figure 3
Poverty rates by region and residence, 1996 and 1999
Poverty decline was largest in the nonmetro West



Source: Prepared by the Economic Research Service using data from the U.S. Census Bureau's Current Population Survey, March Supplement.

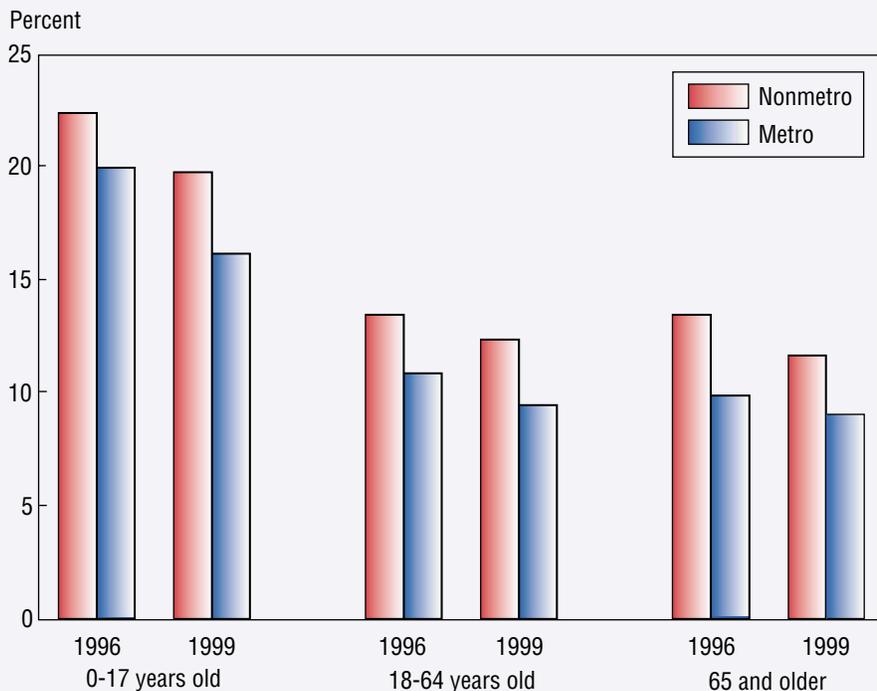
the child poverty rate, which fell from 22.4 percent to 19.8 percent. The largest decline in percentage terms was for the elderly living in rural areas. As a result of the urban poverty rate for children declining by 3.8 percentage points from 1996 to 1999, the urban-rural gap in poverty rates for children increased from 2.4 to 3.6 percentage points. In 1996, the largest difference in urban-rural poverty rates was for the elderly, but due to the slower improvement for rural children, the largest urban-rural gap in poverty rates in 1999 was for children. **RA**

Poverty Rates by Age

For all three age categories (under 18 years, 18-64 and over), rural poverty rates were higher than urban rates in both 1996 and 1999. In every case, children had significantly higher rates of poverty than adults and the elderly (fig. 4). The 1999 rural poverty rate for children was 19.8 percent, or 2.7 million children. This poverty rate was 7.4 percentage points greater than the rate for adults and 8.1 percentage points greater than the poverty rate for elderly persons living in rural areas.

Between 1996 and 1999, poverty rates declined for all three age categories in both urban and rural areas. The largest absolute decline in rural poverty rates occurred for

Figure 4
Poverty rates by age and residence, 1996 and 1999
Nonmetro children have the highest poverty rates



Source: Prepared by the Economic Research Service using data from the U.S. Census Bureau's Current Population Survey, March Supplement.